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Sessional Committee I

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990S

Draft Chairman's Summary

Introduction

1. Sessional Committee I of the Trade and Development Board, in accordance with General Assembly resolution 45/206 and the outcome of UNCTAD IX, conducted the sixth annual review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s, with the Least Developed Countries 1996 Report and its Addendum as the background documents. I wish to place on record the appreciation expressed to the UNCTAD secretariat for the excellent quality of this Report which contained very useful information and analyses and which was of particular value to the Governments of LDCs and their development partners.

2. The Committee also had an informal exchange of views and a fruitful debate on recent initiatives in the area of external trade and external debt of LDCs. The participation of high-ranking officials and experts from LDCs and their development partners in the meeting significantly contributed to a constructive dialogue. My summary of the Panel discussion is contained in Part III of this Report.

Recent growth performance

3. It was noted that the LDCs as a group displayed modest economic progress in 1994 and 1995 after many years of stagnation or deterioration. Of the 48 LDCs, 14 were estimated to have experienced strong economic growth in 1995, with GDP growth rate of more than 5 per cent. It was encouraging to note that the most notable improvement in economic performance occurred in African LDCs. As indicated in the LDCs 1996 Report, the overall improvement in LDCs economic performance was due to a combination of factors including progress made in enhancing political and social stability in some countries, the benefits accruing from domestic economic-policy reforms, improved commodity prices from about 1994 and favourable weather conditions. The efforts to implement more prudent fiscal and monetary policies designed to reduce macroeconomic imbalances also contributed to lower inflation in several countries and the return of investor confidence. However, despite these overall improvements, it was noted that a decisive reversal of LDCs socio-economic deterioration is not yet in sight.

ODA and debt

4. The continuing decline in overall ODA/GNP share to LDCs, which in 1994 were less than half of the aid targets and commitments set at the Paris Conference, with fewer donor countries meeting those targets than in 1990 is a matter of serious concern. The improved aid performance by some donors was welcomed and donors were urged by LDCs to make further efforts to fulfil the ODA targets and commitments undertaken in the Programme of Action and reaffirmed in the Mid-term Global Review and at UNCTAD IX.

5. A number of LDCs had made strong efforts to attract foreign direct investment through the liberalization of their economies and the provision of enhanced investment incentives. This notwithstanding, the level of foreign investment inflows had not been encouraging. The need for other initiatives with support from the international community to make increased inflows of FDI to LDCs a reality was stressed. This should include assistance to address fundamental problems regarding domestic capacities including the development of the domestic infrastructure and the strengthening of supply-side capabilities. Other areas stressed included strengthened domestic regulatory framework and improved market access.

6. The debt burden of LDCs, particularly those in Africa, remains exceptionally high and is a serious constraint to their development. Of particular concern is the increasing share of multilateral obligations in the overall debt stock and debt servicing of LDCs. In this connection, the considerable progress which has occurred during recent weeks in addressing the debt and debt servicing problems of the heavily indebted poor countries is encouraging. Of particular significance is the concerted commitment by the international financial community and the Paris Club to take additional action to reduce eligible countries' debt burden to sustainable levels where the full use of existing debt relief mechanism is unlikely to provide sufficient relief. The LDCs emphasized that the effectiveness of these initiatives will depend on the nature of the eligibility criteria and the flexibility with which they are applied. Non-Paris Club creditors were also encouraged to take similar measures to alleviate the external debt burden of LDCs.

External trade

7. The outcome of UNCTAD IX highlighted the challenges posed to LDCs by globalization and liberalization, as well as the need to provide support to these countries to help them overcome the risks of further marginalization in the process. Enhanced access to expanding global markets require efficient production structures capable of meeting increasingly exacting demands in terms of quality, cost and delivery structures on international markets. These requirements contrast sharply with the salient characteristics of the LDCs' export sector, which include serious lack of diversification and widespread shortages of entrepreneurial and managerial skills, technological capacities, physical infrastructure and support services such as finance, marketing and insurance. Integration of the Least Developed Countries into the world economy will require concerted action by the LDCs and the international community. In this regard, attention is drawn to the agreed conclusions of the Sessional Committee.